

**REGULAR STATE BANKING BOARD MEETING  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**January 12, 2012**

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:02 a.m., Thursday, January 12, 2012.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)  
Nancy Baerwald, Member (*Office*)  
Linda Beall, Member (*Velva*)  
Bill Daniel, Member (*Office*)  
Kim Larson, Member (*Office*)  
Roger Monson, Member (*Texas*)  
Anita Quale, Member (*Watford City*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron K. Webb, Assistant Commissioner (*Office*)  
Lise Kruse, Chief Examiner – Banks (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Janilyn Murtha, Assistant Attorney General (*Office*)

**APPROVAL OF MINUTES**

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on November 10, 2011.

**It was moved by Member Baerwald, seconded by Member Quale, and unanimously carried by voice vote to approve the November 12, 2011, minutes as presented.**

## **JAMES E. GAARDER TO ACQUIRE CONTROL OF CITIZENS BANCSHARES, INC., LANKIN**

Chairman Entringer reviewed his Memorandum dated January 5, 2012, indicating the Department received the application for James E. Gaarder to acquire an additional 3,141 shares of Citizens State Bancshares, Inc., on October 31, 2011.

Chairman Entringer indicated notice of the application was published pursuant to North Dakota Administrative Code Section 13-02-17-01 in *The Walsh County Record*, Grafton, with the comment period ending November 25, 2011, and indicated that no comments or requests for copies of the application were received.

Chairman Entringer reviewed North Dakota Century Code § 6-08-08.1(4), which provides the criteria the State Banking Board must consider to approve or disapprove any change of control application.

Chairman Entringer indicated the transaction is fairly straight forward in that Mr. Gaarder received these shares from the Estate of LaVerne V. Gaarder on October 25, 2011, adding that the shares were inherited, not purchased. Chairman Entringer indicated a change of control application is required as the amount of stock being acquired exceeds 25% of the outstanding shares which, pursuant to Section 6-08-08.1 (7), North Dakota Century Code, constitutes control of the controlling holding company.

Chairman Entringer indicated Mr. Gaarder is employed as a veterinarian in New York but has been on the board of directors since 2004, a bank holding company director since 2008, and CEO of the bank since 2010.

Chairman Entringer indicated he recommends approval of the change in control application for James E. Gaarder to acquire an additional 3,141 shares of Citizens State Bancshares, Inc.

**It was moved by Member Monson, seconded by Member Daniel, and unanimously carried to approve the change in control application for James E. Gaarder to acquire an additional 3,141 shares of Citizens State Bancshares, Inc.**

## **FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY – PRIOR APPROVAL TO PURCHASE RESIDENTIAL PROPERTY IN MINOT**

Chairman Entringer indicated that on November 21, 2011, the Board approved the request by First International Bank & Trust, Watford City, to purchase residential property in Minot, North Dakota, not to exceed \$179,500.

Chairman Entringer explained the request to purchase residential property in Minot should have been to not exceed \$181,500; therefore, is asking that the Board approve the correct amount of \$181,500.

**It was moved by Member Beall, seconded by Member Larson, and unanimously to approve the amended amount to not exceed \$181,500 for First International Bank & Trust, Watford City, to purchase residential property in Minot, North Dakota.**

## **BANK BUDGET UPDATE**

Chairman Entringer reviewed the November 30, 2011, Organizational Status Report by Summary Account and Source, indicating he had no items to report at this time.

## **BANK OF NORTH DAKOTA ASSESSMENT UPDATE**

Chairman Entringer indicated he did not provide any information regarding the Bank of North Dakota assessment as President Hardmeyer and Chief Financial Officer Porter were not able to meet to discuss any proposed changes.

Chairman Entringer indicated he did draft a new assessment schedule for all the state-chartered banks since the schedule has not been changed since 1989. Chairman Entringer indicated the draft schedule includes a broader tier, since the current schedule caps at \$90 million and over. Chairman Entringer explained he tried including an equal number of banks in each tier, adding that the Bank of North Dakota would be included in this proposed schedule. Chairman Entringer indicated he has shared the proposed schedule with CFO Porter, and indicated this item would be brought before the Board when President Hardmeyer and CFO Porter could be present at the meeting.

## **STATE BANKING BOARD MEMBER RESPONSIBILITY**

Chairman Entringer explained the Department has never prepared a presentation for members regarding Board responsibilities; therefore, Assistant Commissioner Webb, along with Assistant Attorney General Murtha, prepared a presentation of Board responsibilities.

Assistant Commissioner Webb reviewed his presentation of Board responsibilities with the Board. This presentation will also be provided to future Board members.

## **POST EXAMINATION SURVEY**

Chairman Entringer indicated a banker had indicated he felt there was no mechanism for them to evaluate the Department after an examination was completed.

Chairman Entringer indicated that Chief Examiner Kruse is attending the Graduate School of Banking and as part of her project she developed a draft Post Examination Survey to be given to each bank, which has been provided for the Board's review.

Chief Examiner Kruse indicated her draft survey is very similar to the FDIC post examination survey which has been used for many years. Chief Examiner Kruse asked if the Board has any suggestions as to areas that should be included on the survey.

Chief Examiner Kruse indicated she visited with Dennis Dahl, FDIC, and asked if he could share some results from their survey; however, the results are sent to the Washington office and due to confidentiality issues the Grand Forks and Fargo field offices only receive an aggregate of all the surveys completed.

Chief Examiner Kruse indicated the Supervising Examiners have reviewed the survey and agreed with the statements included on the survey.

Chief Examiner Kruse stated she feels the survey would be a good tool for the Department as a way to improve the examination process and be informed of

concerns by the banks, and that the survey would be sent to the bank along with the completed examination report.

Member Larson suggested that “if necessary” be added at the end of Question 4(e).

Chairman Entringer added he plans on visiting with the State Information Technology Department to see what it would cost to make this an electronic document so that the banks would have that option for completing the survey.

Member Baerwald indicated she feels the form should be provided in electronic format. Member Baerwald also indicated it was frustrating to provide paper copies of information to the examiners prior to an examination, and then be asked for the same information when the examiners were onsite.

Chairman Entringer and Chief Examiner Kruse indicated that former Commissioner Preszler called each bank after an examination report was sent in order for the bank to express its opinion on the examination process; adding they felt the proposed survey would be a useful tool for both the banks and Department.

Chairman Entringer asked the Board to contact him, Assistant Commissioner Webb, or Chief Examiner Kruse with any other recommendations or changes to the proposed survey.

**The Board went into closed session at 10:30 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1.**

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary